

Remarks

Applicants respectfully request reconsideration of the above referenced application in light of the remarks that follow. Claims 1-36 are now pending in this application.

In the Office action dated October 20, 2005 (the “Present Office Action”), the Examiner rejected claims 1-5, 8, 10 and 11 24 under 35 U.S.C. 102(e) as being anticipated by Magill et al. (U.S. Patent Application Publication No. 2004/0143542). Claims 6, 7 and 9 were rejected under 35 U.S.C. 103 as being unpatentable over Magill. Claims 12-36 were rejected under 35 U.S.C. 103(a) as being unpatentable over Magill in view of Lupien et al. (U.S. Patent No. 5,689,652). Applicants respectfully traverse each of the rejections.

The Applicants’ remarks, set forth below, are preceded by related comments of the Examiner set forth in small indented bold-faced type.

Claims 1-5, 8, 10 and 11 are rejected under 35 U.S.C. 102(e) as being anticipated by Magill et al. (hereinafter Magill, US 2004/0143542 A1

Re Claim 1: Magill discloses a system and method for interactive electronic open order book for securities transactions comprising the steps of:

- **Identifying an NBBO price range (paragraph 0085; nationally disseminated best bid/ask);**
- **Determining if said buy order price and said sell order price are within said NBBO range (paragraph 0085);**
- **Determining if said buy order price is not less than said sell order price;**
- **Calculating a midpoint between said buy order price and said sell order price (paragraph 0085) and;**
- **Matching said buy order and said sell order at said midpoint if said buy order is not less than said sell order price and said buy order price and said sell order price are within said NBBO range (paragraph 0085).**

Applicants respectfully disagree with the Examiner’s assertion that Magill anticipates (i.e. meets all the limitations of) claim 1. Magill does not disclose a system that determines if the buy order price and sell order price are within the NBBO range. Rather, Magill discloses a method that, to the extent it utilizes the NBBO range, limits such reference to determining whether the midpoint between the buy order price and sell order price is within the NBBO range. (Magill, para. 85.) Magill teaches a method whereby one of the order prices, the buy order price or the sell order price, or even both, may fall outside of the NBBO range. (Id.) In Magill, as long as the midpoint between the two prices falls within the NBBO range, the matching—of the buy order price and sell order price to the calculated midpoint between the two—will still occur. (Id.) It is apparent that there are circumstances in which the midpoint between two prices can be

within the NBBO range but one or both of the order prices is not. The method taught by Magill is different from claim 1 of the present application, in that claim 1 establishes that the matching step of the buy order price and sell order price to the calculated midpoint will only occur if “said buy order price and said sell order price are within said NBBO range.”

As such, Magill teaches accepting any buy order price and any sell order price, and then simply calculating a matching price that falls at a midpoint between the two, whereas on the other hand, claim 1 of the present invention includes at least the limitation that “said buy order price and said sell order price are within said NBBO range.” Thus, Magill does not teach at least one limitation of claim 1.

In addition, Magill does not teach determining if the buy order price is less than the sell order price or not. Following the teachings of Magill, the matching of the buy and sell order prices to the calculated midpoint between the two occurs even if the buy order price is lower than the sell order price, as Magill does not teach testing for such result. This method is different from claim 1 of the present application, in that claim 1 establishes that the matching of the buy and sell order prices to the calculated midpoint between the two only occurs if the buy order price is not lower than the sell order price. Thus, it is Applicants’ conclusion that Magill does not anticipate claim 1 of the present application.

Beyond the calculation of the midpoint between the buy and sell order prices, Magill does not teach a particular strategy of price improvement: “In the event that the mid-point is not between the nationally disseminated best bid and ask prices (the NBBO), the system will look for a price at which it can match a price equal to or better than the NBBO.” (Id.) This statement is vague, and it is unclear how Magill makes adjustments to the matching price in case the midpoint between the buy and sell order prices does not fall within the NBBO.

Applicants’ disclosure, on the other hand, delineates the strategy of price improvement based on a set of different possible scenarios, as claimed in the methods of claims 2-4.

Re Claim 2: Magill discloses the method supra and further discloses wherein said NBBO range includes a best offer price, said buy order price is not within said NBBO and said sell order price is within said NBBO range, said method further comprising the steps of;

- **Changing said buy order price to a changed buy order price that is equal to said best offer price (paragraph 0085; last sentence)**
- **Calculating a midpoint between said changed buy order price and said sell order price (paragraph 0085; first sentence) and;**
- **Matching said buy order price and said sell order price at said midpoint if said changed buy order price is not less than said sell order price (paragraph 0085).**

Applicants respectfully disagree with the Examiner's assertion that Magill discloses any of these additional limitations recited in claim 2. As stated above, Magill discloses a method that determines whether the midpoint between the buy order price and the sell order price is within the NBBO range. (Magill para. 85.) Following the teachings of Magill, the buy order price may fall outside of the NBBO range. In Magill, as long as the midpoint between the buy order price and the sell order price falls within the NBBO range, the matching of the buy order price and the sell order price to the calculated midpoint between the two will still occur. On the other hand, claim 2 of the present application, requires "changing said buy order price to a changed buy order price that is equal to said best offer price" if "said buy order price is not within said NBBO and said sell order price is within said NBBO range." Then, the midpoint is calculated between the changed buy order price and the sell order price. Following the teachings of Magill, the midpoint is calculated between the original buy order price and the original sell order price. Only if this midpoint falls outside of the NBBO, is any adjustment made, and the nature of that adjustment is not specified in the Magill disclosure. (Id.) Thus, because Magill does not teach at least the limitation of "changing said buy order price to a changed buy order price that is equal to said best offer price," Magill does not teach all of the limitations of claim 2, and therefore, cannot anticipate claim 2.

Re Claim 3: Magill discloses the claimed method supra and further discloses wherein said NBBO range includes a best order price, said sell order price is not within said NBBO and said buy order price is within said NBBO range, said method further comprising the steps of

- **Changing said sell order price to a changed sell order price that is equal to the best bid price (paragraph 0085; last sentence)**
- **Calculating a midpoint between said changed sell order price and said buy order price (paragraph 0085; first sentence) and;**
- **Matching said buy order and said sell order at said midpoint if said buy order price is not less than said changed sell order price (paragraph 0085).**

Applicants respectfully disagree with the Examiner's assertion that Magill discloses any of these additional limitations recited in claim 3. As argued for claims 1 and 2, Magill discloses a method that determines whether the midpoint between the buy order price and sell order price is within the NBBO range. (Id.) Following the teachings of Magill, the sell order price may fall outside of the NBBO range. In Magill, as long as the midpoint between the sell order price and the buy order price falls within the NBBO range, the matching of the buy order price and sell order price to the calculated midpoint between the two will still occur. On the other hand, claim 3 of the present application, requires "changing said sell order price to a changed sell order price that is equal to said best bid price" if "said sell order price is not within said NBBO and said buy order price is within said NBBO range." Then, the midpoint is calculated between the changed sell order price and the buy order price. Following the teachings of Magill, the midpoint is calculated between the original sell order price and the original buy order price. Only if this midpoint falls outside of the NBBO, is any adjustment made, and the nature of that adjustment is not specified in the Magill disclosure. (Id.) Thus, Magill does not teach all the additional limitations of claim 3, and therefore, Magill does not anticipate claim 3.

Re Claim 4: Magill discloses the claimed method supra, and further discloses wherein said NBBO range includes a best bid price and a best offer price and said buy order price and said sell order price is not within said NBBO range, said method further comprising the steps of

- **Changing said buy order price to a changed buy order price that is equal to said best offer price (paragraph 0085; last sentence)**
- **Changing said sell order price to a changed sell order price that is equal to said best bid price (paragraph 0085; last sentence)**
- **Calculating a midpoint between said changed buy order price and said changed sell order price (paragraph 0085; first sentence) and;**
- **Matching said buy order and said sell order at said midpoint.**

Applicants respectfully disagree with the Examiner's assertion that Magill discloses any of these additional limitations recited in claim 4. As stated above, Magill discloses a method that

determines whether the midpoint between the buy order price and the sell order price is within the NBBO range. (Id.) Following the teachings of Magill, the buy order price and sell order price may fall outside of the NBBO range. In Magill, as long as the midpoint between the buy order price and the sell order price falls within the NBBO range, the matching of the buy order price and sell order price to the calculated midpoint between the two will still take place. On the other hand, claim 4 of the present application, requires “changing said buy order price to a changed buy order price that is equal to said best offer price and changing said sell order price to a changed sell order price that is equal to said best bid price” if “said buy order price and said sell order price are not within said NBBO.” Then, the midpoint is calculated between the changed buy order price and the changed sell order price. In Magill, the midpoint is calculated between the original buy order price and the original sell order price. Only if this midpoint falls outside of the NBBO, is any adjustment made, and the nature of that adjustment is not specified in the Magill disclosure. Thus, Magill does not teach all the additional limitations of claim 4, and therefore, Magill does not anticipate claim 4.

Claims 5 and 8:

The Examiner has rejected claims 5 and 8 under 102(e) over Magill. Claims 5 and 8 are dependent on claim 1, and the Examiner’s rejection is based on his opinion that Magill anticipates the method of claim 1. However, Applicants respectfully disagree with the Examiner that the limitations of claim 1 are disclosed in Magill, as explained above. Therefore, Applicants respectfully disagree with the Examiner that claims 5 and 8 are anticipated by Magill.

Claims 10 and 11:

The Examiner has rejected claims 10 and 11 under 102(e) over Magill. Claims 10 and 11 are dependent on claim 1, and the Examiner’s rejection is based on his opinion that Magill anticipates the method of claim 1. However, Applicants respectfully disagree with the Examiner’s assertion that the limitations of claim 1 are disclosed in Magill, as explained above. Therefore, Applicants respectfully disagree with the Examiner that claims 10 and 11 are anticipated by Magill. In addition, the Examiner asserts that Magill further discloses the step wherein the buy order is an agency order (claim 10) and the step wherein the buy order is a proprietary order (claim 11), citing to paragraph 31. However, Applicants, respectfully disagree with the Examiner that Magill discloses any distinction between agency and proprietary buy

orders. Therefore, Applicants respectfully disagree with the Examiner that claims 10 and 11 are anticipated by Magill.

Claims 6, 7 and 9 are rejected under 35 U.S.C. § 103(a) as being unpatentable over Magill

The Examiner has rejected claims 6, 7, and 9 under 103(a) as being unpatentable over Magill. Claims 6, 7 and 9 depend on claim 1. Since Applicants respectfully disagree with the Examiner's assertion that Magill anticipates claim 1, Applicants respectfully submit that claims 6, 7 and 9 cannot be rendered obvious in view of Magill.

Claims 12-36 are rejected under 35 U.S.C. 103(a) as being unpatentable over Magill in view of Lupien et al. (hereinafter Lupien, US Pat 5,689,652).

The Examiner has rejected claims 12-36 under 103(a) over Magill in view of Lupien. Claims 12-36 depend on claim 1, either directly, or indirectly, by depending from claims 12 or 17 (in the case of claims 13-16 and 18-20, respectively) or claim 21 (in the case of claims 22-36). Because Applicants respectfully disagree with the Examiner's assertion that Magill anticipates claim 1, and Lupien does not cure the deficiencies of Magill, Applicants respectfully submit that claims 12-36 cannot be rendered obvious in view of Magill, and in further view of Lupien.

In addition, while the Examiner acknowledges that "Magill ... does not explicitly disclose a crossing network for matching said buy order and said sell order, said crossing network receiving a plurality of pass-through orders and a plurality of passive orders", he asserts that "Lupien discloses a crossing network that matches buy and sell orders based upon a satisfaction and quality profile (see abstract). Lupien further discloses that typically, the matching process is anonymous (passive), however the buy order and sell orders are not required to be confidential (pass through)." Applicants respectfully disagree with the Examiner's assertion that "anonymous" is equivalent to "passive." Applicants respectfully submit that the meaning of the term "anonymous" is not clearly defined in Lupien. These are some citations from Lupien where "anonymous" appears to mean "computerized":

- "Various companies and exchanges operate computerized crossing networks, also called anonymous matching systems" (Lupien, col. 1, lines 36-38);
- "Instinet allows parties to trade anonymously, entering bids electronically" (Lupien, col. 2, lines 16-18); and

- “The trades that result from these negotiations become public information only when they are executed. This procedure provides an alternative to the direct human-to-human negotiation of orders in the upstairs market or on the trading floors” (Lupien, col. 2, lines 21-25).

On the other hand, Applicants’ disclosure uses a different term to “anonymous”: “passive orders”, which is specifically defined as including “orders that are designated as “not held,” “cross only” and “do not represent” orders, thereby indicating that these orders are to be kept confidential. If crossing network 3 is operated by a financial institution, then passive order flow source 5 may include orders from customers that the financial institution is required to keep confidential even from traders and salespersons within the financial institution. Passive order flow source 5 may also include proprietary orders (i.e., orders on behalf of the financial institution) that the financial institution does not want to route externally.” (Page 9, 2nd full para., line 2 to page 10, line 4). Applicants’ disclosure further clarifies that “For example, if an order is designated by a customer as a “cross only” order, then the financial institution cannot route these orders to external financial markets for execution and must instead attempt to execute the trade using another customer of the financial institution as a counterparty. If an order is designated as a “do not represent” order, then the financial institution cannot show interest to potential counterparties. A customer may designate an order as “cross only” and “do not represent” so that the customer’s intentions to transact in the security do not affect the market for the particular security. In this way, customers can have their orders executed by the financial institution while still maintaining confidentiality” (page 3, last para., line 2, to page 4, first para, line 6). Applicants respectfully submit that Lupien does not disclose such a definition of orders, and thus, Lupien does not teach at least the limitation of “passive orders” in claim 12 and in independent claim 21. Claims 13-20 depend from claim 12 either directly or indirectly, and claims 22-36 depend from claim 21. Therefore, Applicants respectfully submit that claims 12-36 cannot be rendered obvious in view of Magill, and in further view of Lupien at least with respect to the limitation of “passive orders.”

Closing

Claims 1-36 are pending and believed to be in condition for allowance. Applicants respectfully request that all pending claims be allowed.

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Respectfully submitted,

Date:

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